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ECONOMIC AFFAIRS

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## USSR REPORT ECONOMIC AFFAIRS

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## ECONOMIC POLICY, ORGANIZATION AND MANAGEMENT

### WESTERN ANALYSES OF SOVIET ECONOMY SCORED

Moscow POLITICHESKOYE SAMOOBRAZOVANIYE in Russian No 1, Jan 82 pp 79-87

/Article Ye. Rozanov: "The Unmasking of the Falsifiers of the Socioeconomic Policy of the CPSU"

/Text/ The 26th CPSU Congress thoroughly discussed the results of the socioeconomic development of our country during the past decade and specified the new important tasks in this area for the 11th Five-Year Plan and the period to 1990. In the documents of the congress it is noted that owing to the persistent labor of the Soviet people and the scientifically sound guidance of the CPSU during the 1970's all the spheres and aspects of the life of Soviet society underwent dynamic development. A significant increase of the standard of living of the Soviet people occurred on the basis of economic growth and scientific and technical progress. The process of overcoming the substantial difference between the city and the countryside and between physical and mental labor developed actively, the socialist way of life improved.

Our country has a mighty economic, scientific and technical potential. This serves as a reliable basis for the further development of the national economy and the fulfillment of the extensive program of the increase of the well-being of the people, which covers the improvement of all the aspects of the life of the Soviet people--consumption and housing, culture and recreation, working and living conditions. "The Soviet people have entered the new five-year plan with a sense of optimism, confidence in their powers," Comrade L. I. Brezhnev emphasized in a speech at the November (1981) CPSU Central Committee Plenum. "They are thoroughly convinced that the great and difficult tasks of building communism, which were set by the congress, will be successfully accomplished."

In spite of the obvious nature of the achievements of the Soviet Union in the building of communism, bourgeois ideologists and propagandists are not abandoning the attempts to belittle their importance in every possible way in the eyes of the peoples of the world and to falsify the gains of the workers of the USSR. There is nothing new here: by distorting the socioeconomic policy of the CPSU and the Soviet state, all kinds of Sovietologists in the past advanced various prophecies, "theories" and "concepts," which had been tailored to the corresponding periods in the development of socialism in the USSR.

For example, during the first years following the victory of the Great October Socialist Revolution our ideological opponents called it "a reckless experiment," declared the socialist system to be feeble, predicted thousands of times its inevitable downfall and even set the corresponding dates. The accomplishments of the building of socialism in our country, which were achieved under the guidance of the Communist Party, and the victory of the Soviet people over fascist Germany demonstrated to all the world the durability of the new social system, having held the bourgeois false prophets up to public scorn. However, they have not laid down their arms.

Since the early 1960's anticommunism has taken to donning the garb of scientificness. Its ideologists attempted to oppose to the Marxist-Leninist concept of the natural succession of socioeconomic formations pseudoscientific apologetic theories which were based on the absolutization and the making of a fetish of technological determinism. The successive theories of "industrial," "postindustrial" and "techno-tronic society" served these purposes. The aspiration of bourgeois theorists to gloss over the fundamental differences between the policy of the ruling circles of the capitalist countries and the policy of the socialist states was most vividly displayed in the theory of "convergence," which was well-known at one time. The views on the possibility of the gradual convergence of the two systems by the integration of their "best" features and, of course, first of all those of them, which are inherent in the capitalist system, were advocated with an air of profound wisdom. However, all these numerous "theories," as should have been expected, did not stand the test of historical practice and gradually receded into the background.

In recent times, when analyzing the various aspects of the socioeconomic policy of the CPSU and the Soviet state under the conditions of mature socialism, imperialist propaganda shifted from global concepts to speculations, which concern, as a rule, individual aspects of this policy, and to insinuations concerning the real problems, which did or do exist in our country. Thus, in bourgeois literature it is now possible to encounter relatively rarely attacks on the achievements of the USSR in the area of culture, public education, public health and social security. The achievements of socialism here are so indisputable that only frenzied anticommunists undertake to refute them. At the same time the problems, in the solution of which certain difficulties and shortcomings for the present still really exist in our country, are constantly being played up. Here western propaganda is distorting the causes of the emergence of certain problems or others, is exaggerating their scale and is attempting to convince people of the impossibility of overcoming them under the conditions of socialism.

In this advice there is no need to dwell on all the numerous trends of bourgeois propaganda. Let us limit ourselves to the examination of just a few of the latest fabrications of western Sovietologists regarding the results and prospects of the development of our economy.

In recent years in anti-Soviet propaganda, which has been aimed at discrediting the socioeconomic policy of the CPSU, a central place has been assigned to concepts, the authors of which are attempting to prove the existence in our country of a kind of economic crisis. Thus, the Italian bourgeois newspaper LA STAMPA, having "analyzed" the CPSU economic plans for the 11th Five-Year Plan, presents to its readers the sensational report that "a crisis is shaking" the USSR.<sup>1</sup> Similar

views are also being promoted on the pages of the Italian journal MONDOPERAIO.<sup>2</sup> While their English colleagues from THE TIMES of London are endeavoring to slander our country even further. In the editorial entitled "Slow Growth for Russia" they venture to maintain that in 1981-1985 "the strain in the Soviet economy should increase."<sup>3</sup> Sovietologists see one of the main symptoms of such a "crisis" in the decline of the rate of economic growth. On this "basis" they come to the conclusion that the Soviet economy "has reached the limits of its growth."<sup>4</sup> Such opinions, to put it mildly, do not correspond to reality.

Let us begin if only with the fact that in the scientific sense the concept "economic crisis" is by no means identical to the slowing of the growth rate of production. As is known, the crises which have repeatedly affected the capitalist world have always been manifested in a sharp decline of the production volumes of goods. Such phenomena are anything but characteristic of the socialist economy. In order to be convinced of this it is sufficient to turn to the statistical data which are systematically published in our press.

Many bourgeois propagandists, in order to lay it on thick, intentionally make various kinds of mistakes in elucidating the question of the rate of development of our national economy. For example, French journalist (Denis Legre) asserted in the pages of the bourgeois newspaper LE FIGARO that during the 11th Five-Year Plan an annual increase of industrial production of 3.6 to 4 percent is planned. In reality during 1981-1985 the output of industry of our country should increase by 26 percent, that is, by approximately 4.75 percent a year. These indicators are slightly higher than the ones which actually occurred during the 10th Five-Year Plan, when the total volume of industrial output increased by 24 percent. As was noted at the 26th CPSU Congress, owing to a number of objective and subjective causes during the 10th Five-Year Plan it was not possible to achieve all the outlined gains. A number of ministries and enterprises did not fulfill their plans. Bottlenecks and disproportions still exist in the national economy. At the November Plenum of the party Central Committee it was indicated that the main thing, as V. I. Lenin taught, is not to shut one's eyes to difficulties, to find the correct means of overcoming them, to be able to rally the masses for the struggle against them. This fine tradition of the Bolsheviks is now also alive in the affairs of the communists and all the Soviet people.

A 5-year period is insufficient for determining the vitality and effectiveness of the development of one economic system or another by means of such an indicator as the rate of growth. A longer historical period is needed for this, since the rates of growth in one small segment of time or another can be governed by a number of transient objective and subjective factors.

If we take a period of two to three decades, the advantage of the planned socialist economy, which has achieved a higher growth rate than the capitalist economy, will be clearly discernible. Thus, during 1951-1980 the national income in the USSR on the average in a year increased by 7.4 percent, industrial output--8.7 percent, agricultural output--3 percent. In the developed capitalist countries the corresponding indicators during the indicated period were 4 percent, 4.6 percent and 2 percent. The high rate of development of the national economy enabled our country to draw substantially closer to the United States with respect to the main economic indicators. Whereas the USSR national income in 1950 came to 31 percent of the U.S. national income, in 1980 it came to 67 percent, industrial output--

respectively less than 30 percent and more than 80 percent, labor productivity in industry--less than 30 percent and more than 55 percent and so on. In 1980 the USSR already significantly surpassed the United States in the production of petroleum, steel smelting, the production of tractors, lumber, cement, cotton and wool fabrics and leather footwear, the freight turnover of all types of transport and a number of other economic indicators.

In the USSR by now total production volumes, which are quite adequate for the normal functioning of the economy, have been achieved in many sectors of industry. Under these conditions the tasks of the utmost increase of product quality and the more economical, efficient use of raw materials, fuel, energy, machines and equipment are coming to the forefront. The difficulties of the changeover to primarily intensive factors of growth are, of course, of a temporary nature. The solution of the problem of the comprehensive and harmonious development of all the sectors and subsectors of the national economy and the elimination of the lag of some of them, that is, the improvement of the structure of socialist social production, are of particular importance from the point of view of the rate of economic growth.

For example, while holding the leading place in the world in steel smelting, we are still not producing enough high quality grades of metal products and lag in their assortment, as a result of which more metal is being consumed for the production of many types of machines and equipment than in a number of other developed countries. The 26th CPSU Congress urgently raised the question of the need to overcome these difficulties in conformity with the present requirements of the development of the national economy and scientific and technical progress and with the increasing needs of the population. This would promote an increase of the output of the metal-consuming sectors even if the production of steel and rolled products in weight units did not increase.

A number of other factors which are connected with the change of the structure of the national economy are affecting the rate of economic development of the USSR. Among them, for example, are the complication and increase of the cost of the extraction of energy and raw material resources, the sharp increase of the capital investments in agriculture and light industry, which for the present still lag with respect to a number of indicators, including the growth rate, behind the development of heavy industry. Such structural changes do not indicate, however, a "crisis" of the socialist economy, on which bourgeois ideologists are expatiating.

It is well known that our country has to divert a certain portion of its budget assets for defense. Various insinuations about the ostensible increase of the proportion of the national income, which goes for military needs,<sup>5</sup> about "the aspiration of the USSR for military superiority" and so forth are now being spread by bourgeois propaganda concerning this fact. In response to questions of the editorial office of the West German journal DER SPIEGEL, Comrade L. I. Brezhnev noted that "if you dismiss propagandistic chimeras and turn to the facts, it will become clear that this is a malicious invention."

The efforts of our country on the preservation of peace, the support of the process of detente and the limitation of the arms race have come up against and are coming up against the fierce opposition of the reactionary imperialist circles of the United States and other NATO countries. If it were not for the threat to the

cause of people, the Soviet state would have been able to reduce its defense spending considerably and to allocate the freed assets for the goals of peaceful construction and the further increase of the well-being of the people. The fact that over the past decade USSR defense spending has remained at approximately the same level, while the per capita real income of the Soviet people has increased by 46 percent and the payments and benefits from public consumption funds have increased by 67 percent, attests to the peaceable nature of USSR foreign policy. It is clear that these indicators would have been higher, if our resources had not been diverted for defense needs.

Thus, the attempts of "Sovietologists" to substantiate the existence of an "economic crisis" in the USSR by means of various kinds of speculations on the question of the rate of economic growth do not stand up to criticism. They do not correspond to reality and are aimed at discrediting the scientifically sound economic policy of our party by well-known jugglings and groundless assertions.

Bourgeois ideologists claim, further, that in a number of regions of our country (Central Asia, the Caucasus) "latent unemployment" exists.<sup>6</sup> Here they cite the planned measures being implemented in our country on the transfer of manpower from regions, in which there is enough of it, to Siberia, the Far East and the Far North, which are sparsely inhabited and have an urgent need for manpower resources.

Before us is just another attempt to turn the facts upside down, since the transfer of manpower from some regions to others attests to the aspiration of the Soviet state for the most efficient distribution of manpower resources and the development of new regions and their enormous wealth. All this, of course, has nothing to do with "latent unemployment." Moreover, a shortage of manpower is now being observed in many regions of the Soviet Union, which was discussed at the 26th CPSU Congress and the November Plenum of the party Central Committee. The numerous job offers being published in the press, the advertisements on the availability of vacant workplaces in the aisles of enterprises and so forth also attest to this. For more than half a century now there has been no unemployment in the USSR, while the right to work, which is set down by the USSR Constitution, is genuine for each citizen. In the shortest possible historical period socialism eliminated unemployment forever. But this problem cannot be solved under the conditions of capitalism. Unemployment is an inevitable companion of bourgeois society.

In the capitalist countries unemployment is of a chronic nature, and in recent years it has become considerably more acute. Thus, whereas in 1970 in the United States the army of unemployed came to 4.1 million, at the end of 1981 it came to 9 million. Similar facts also exist in other developed capitalist states. During the period from the end of 1980 to June 1981 alone in the Common Market countries unemployment increased from 7 million to 8.4 million. The forced idleness of this enormous potential productive force is the tragic result of the capitalist system of social relations.

The aspiration of "Sovietologists" to substantiate the existence of "crisis phenomena" in the Soviet economy by means of the thesis of the imaginary inability of the USSR to use its vast natural resources is also just as unsound. The entire world knows that the planned development of mineral deposits in the most remote regions of the country is taking place in the Soviet Union. One of the characteristic features of the socioeconomic development of the USSR in the 1970's



consisted precisely in the fact that major changes occurred in the distribution of productive forces. New territorial production complexes emerged in the European part of the RSFSR, in the Urals, Siberia, the Far East, Kazakhstan and Tajikistan.

During the years of the 10th Five-Year Plan such complexes provided the entire all-union increase of petroleum, gas and coal. The extraction of minerals here increased rapidly. For example, in the northwestern part of Siberia in 1970 the production of petroleum (including gas condensate) came to 31 million tons, while in 1980 it exceeded 312 million tons. The production of gas during this period increased from 9.5 billion m<sup>3</sup> to 156 billion m<sup>3</sup>. The miners of the Pavlodar-Ekibastuz Complex in 1980 mined about 67 million tons of coal--nearly threefold more than in 1970. The Sayansk, Bratsk-Ust'-Ilimsk, Southern Yakut, Karatau-Dzhambul, Mangyshlak and Southern Tajik territorial production complexes, which were set up with allowance made for the latest scientific and technical achievements, are playing an increasing role in the economy of the country. The Baykal-Amur Railway Line, which is under construction, is affording great opportunities for the development of the wealth of the north and east. One would like to know, on what "inability" to develop the mineral resources of our country are the bourgeois ideologists expatiating?

In exposing the malicious insinuations of bourgeois propaganda concerning the socio-economic development of our country, Member of the Politburo of the CPSU Central Committee and Chairman of the USSR Council of Ministers Comrade N. A. Tikhonov said at the 26th CPSU Congress: "As for the attacks on the socialist economic system and the slanderous fabrications of the enemies concerning some 'crisis' of the Soviet economy, life itself refutes them" ("Materialy XXVI s"yezda KPSS" /Materials of the 26th CPSU Congress/, p 98).

Socialism opposes to capitalist society with its acute economic and social contradictions, increasing unemployment and inflation, recessions and slowdowns and a growing arms race the stable growth of the national economy, the steady increase of the well-being and culture of the people, social justice, great humanism and genuine democracy; it opposes to it our socialist way of life, the motto of which is: everything in the name of man, for the good of man.

The policy of the party, which is aimed at the increase of the material well-being of the Soviet people, has remained constant and consistent at all the stages of Soviet history. The improvement of the material living conditions of the working class, the peasantry, the intelligentsia, retirees, students of higher and secondary educational institutions and women who are mothers was advanced as the highest socioeconomic goal of the party and acquired a particular scope in the mature socialist society. The decisions of the 24th, 25th and 26th CPSU Congresses and their implementation in practice vividly attest to this.

At the present stage the activity of the party in the sphere of increasing the standard of living of the Soviet people has a number of characteristic features. First, they are of a comprehensive nature. Thus, now in conformity with the plans of the party at the same time vast housing construction is being carried out, the level of wages is being boosted, pensions are being increased, a food program is being elaborated, the increase of the quantity and the improvement of the quality of industrial mass demand goods are taking place, the public consumption funds are being enlarged and so on. Second, the measures of the party on increasing the

standard of living affect to one extent or another the entire population, all the citizens of our country.

Our achievements in the area of housing construction are great. During the Ninth and 10th Five-Year Plans houses, the area of which exceeds all the available urban housing in the early 1960's, were built. As a result more than 107 million people, or about 40 percent of the entire population of the country, improved their living conditions. Important positive changes occurred in the area of public health, education and culture.

The majority of "Sovietologists" prefer simply to gloss over these achievements of the USSR. Even such well-known bourgeois ideologists as Economics Professor A. Nove, director of Institute for the Study of the USSR and the Countries of Eastern Europe, Doctor of Philosophy W. Connor of Princeton University and Professor K. Ryavec of the University of Massachusetts do not have an aversion to acting according to the principle: the best kinds of a lie are made from a half-truth.<sup>7</sup>

It is well known that the CPSU regards as one of its primary tasks the more and more complete meeting of the effective demands of the population for various goods and services. The 26th CPSU Congress noted that in the production of consumer goods we have made considerable gains. But at the same time in recent years certain difficulties have come to light in the provision of workers with some foodstuffs and nonfood consumer items. Here a deficit in the supply of the population first with some, then with other items arose at different times.

This circumstance did not escape the attention of bourgeois propagandists. They did not fail to present in a false light the situation with the production of consumer goods in our country. Thus, in the pages of NEUE ZURCHER ZEITUNG it is possible to read that during the past decade "the state of affairs in light... industry has not improved, but has worsened."<sup>8</sup> In the opinion of the Italian bourgeois newspaper IL TEMPO, in the USSR the consumer goods sector is a "Cinderella," for little attention is ostensibly being devoted to it.<sup>9</sup>

Such statements do not correspond to the truth. Suffice it to say that the production of consumer goods in the 1970's increased in the USSR by nearly twofold as compared with the preceding decade. In our country a quite sufficient number of many, many consumer goods are being produced to meet the demand of the population for them. For example, in 1980 744 million pair of leather shoes were produced. On the average this is 2.8 pair per inhabitant. However, unfortunately, the quality of a number of goods, their finishing and assortment do not always satisfy the customers. Precisely the demand for high quality, fashionable goods is now increasing especially rapidly, while their output is still insufficient. This was discussed openly and pointedly at the 26th CPSU Congress. In the bourgeois press our real difficulties are hypertrophied and in malicious commentaries are presented as being insurmountable.

The Soviet people are looking to the future with optimism, since historical experience attests to their ability to solve the greatest socioeconomic problems. The 26th CPSU Congress established specific and effective measures, which are aimed at the more complete meeting of the demand of the population for consumer goods which are still in short supply. The congress recognized it to be necessary to accelerate the rate of development of the sectors of group B of industry; during the

current five-year plan it will slightly exceed the growth rate of group A. It is envisaged to furnish light industry with modern equipment and to improve its supply with raw materials and materials. "The task is to set up the truly modern production of consumer goods and services for the population, which conforms to the needs of the people," Comrade L. I. Brezhnev emphasized at the 26th party congress.

Assignments on the increase of the output of goods enjoying a higher demand, first of all of various types of cotton, wool, silk and linen fabrics and clothing made from them, knitted underwear and outerwear, hosiery, tulle and curtain items, footwear, fur headwear, artificial fur and leather, are set in the decrees of the CPSU Central Committee and the USSR Council of Ministers "On Measures on the Increase of the Production of Basic Necessities in 1981-1985 and the More Complete Satisfaction of the Demand of the Population for These Goods" and "On the Increase of the Production of Mass Demand Goods, the Increase of the Quality and the Improvement of Their Assortment in 1981-1985," which were adopted in the summer of 1981. It is planned to increase by not less than 1.4-fold the production of cultural, personal and household goods and technically modern durable items, which are notable for novelty, reliability and economy, improved esthetic and consumer properties and greater comfort. These plans have already begun to be implemented.

All these facts attest to the constant concern of the CPSU and the Soviet Government about the development and modernization of the sectors of group B of industrial production.

It is well known that the party is assigning an important place in the supply of the population with high quality foodstuffs to the comprehensive food program, which the 26th CPSU Congress considered it necessary to elaborate. In a speech at the November (1981) Plenum of the party Central Committee Comrade L. I. Brezhnev indicated: "The compiling of such a program is a most highly creative and, there is nothing to hide, difficult matter." For it is by no means simple to combine the efforts in agriculture itself, in the sectors which serve it, in the systems of procurement, storage, processing, transportation and trade in agricultural products. To combine them in order to achieve a single ultimate goal: to provide the country with the necessary amount and assortment of agricultural products. Comrade L. I. Brezhnev emphasized that in agriculture and in the sectors serving it much work, and difficult work, lies ahead. But it is within the power of our party and our people.

In spite of the fact that the food program is still at the drafting stage, the bourgeois press has not failed to declare it unfeasible. Bourgeois propagandists are making such a "forecast" on the grounds that ostensibly in the past decade in the USSR no increase of the production of agricultural products has been observed at all. The attempt to dramatize the food situation in the USSR and thereby to scare the workers of the capitalist countries away from socialism lies behind such appraisals.

What in reality is the situation with the solution of the food problem in our country? First of all let us note that the decisive trend is not a "decline" or "a standstill of agricultural production," as "Sovietologists" are trying to prove, but its steady increase. Thus, the average annual volume of the gross output of agriculture during the 10th Five-Year Plan as compared with the Eighth Five-Year Plan increased by 23 percent. As a whole in 1971-1980 272 billion rubles more of it was obtained than during the preceding decade.

These positive results were achieved first of all because in the country the capital investments in the agrarian sector of the economy were increased sharply. During 1971-1980 they came to more than 300 billion rubles. This is 2.3-fold more than during the preceding decade. As a result the material and technical base of agricultural production was greatly strengthened. The chemicalization, complete mechanization and industrialization of farming and animal husbandry were increased.

The intensification of agriculture made it possible with a decrease of the number of workers to steadily increase the volume of output. The increase of agricultural output made it possible to a certain extent to increase the level of consumption by the population of foodstuffs. Thus, from 1970 to 1980 the per capita consumption of meat increased by 9 kg, milk and dairy products--7 kg, eggs--79, sugar--3.4 kg.

The party is not shutting its eyes to the fact that the problem of the stable supply of the Soviet people with a wide assortment of high quality products still awaits its solution. Irregularities in the supply of the population with some types of products, first of all meat and meat items, are being observed in a number of regions of the country. At the 26th CPSU Congress it was indicated that this is connected with factors of both an objective and a subjective nature. Crop failures, the still low level of the standards of farming in a number of places, large losses of products during their transportation, storage and processing and cases of mismanagement were named among them. The party sees a solution to all these difficult problems in the increase of the capital investments in agriculture, its intensification, the better supply of the countryside with equipment, the increase of the keeping capacity of agricultural products and the improvement of the management of agricultural production.

The bourgeois press considers all these measures to be ineffective and names the private plots as a panacea for all the difficulties, opposing them to the social production of kolkhozes and sovkhoses. In its policy the party takes into account that the private plots can be a substantial help in the production of milk, meat, potatoes and several other products. At present much is being done and even more will be done to stimulate the increase of the output of products on the private plots of Soviet citizens.

At the same time in conformity with the principles of socialist management the CPSU is placing the main emphasis on the development of large, technically equipped public farms, for only they can solve under present conditions the large-scale problems of providing the country with all types of agricultural products. The collective farms in the countryside have withstood the test of half of century. They have demonstrated their vitality during the most difficult periods of our history. Kolkhozes and sovkhoses, as before, constitute the basis of socialist agriculture.

Concern about the well-being of the people always was, is and will be the highest goal of the policy and all the practical activity of the CPSU. During the 1980's the party has outlined and is implementing an extensive system of socioeconomic measures, which are aimed at the increase of the standard of living of the workers and the creation of more and more favorable conditions for the all-round development of the individual and highly productive creative labor. The Soviet people under the guidance of the party are exposing by their glorious deeds the fabrications of bourgeois ideologists and are confidently continuing the building of a new, communist society.

# FOOTNOTES

1. LA STAMPA, 25 February 1981.
2. MONDOPERAIO, No 7/8, 1981, pp 7-11.
3. THE TIMES, 4 December 1980.
4. NEUE ZURCHER ZEITUNG, 22 February 1981.
5. LE FIGARO, 23 February 1981.
6. See IL MESSAGGERO, 23 February 1981; THE DAILY TELEGRAPH AND MORNING POST, 5 March 1981; THE OBSERVER, 8 March 1981.
7. See A. Nove, "Political Economy and Soviet Socialism," London, 1979; W. Connor, "Socialism, Politics and Equality: Hierarchy and Change in Eastern Europe and the USSR," New York, 1979; K. Ryavec, "Soviet Society and the Communist Party," Amherst (Massachusetts), 1979.
8. NEUE ZURCHER ZEITUNG, 23 February 1981.
9. IL TEMPO, 22 February 1981.

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## ECONOMIC POLICY, ORGANIZATION AND MANAGEMENT

### PROSPECTS FOR SOVIET ECONOMY IN 1980'S

Leningrad VESTNIK LENINGRADSKOGO UNIVERSITETA: EKONOMIKA, FILOSOFIYA I PRAVO in Russian No 23, Issue 4, Dec 81 pp 5-12

/Article by A. A. Markin: "The 26th CPSU Congress on the Peculiarities of the Economic Development of the Country in the 1980's"/

/Text/ The 26th CPSU Congress and its decisions mark a new stage of the economic and social development of our country and the improvement of the entire system of social relations. In the Accountability Report of the CPSU Central Committee to the 26th congress, which L. I. Brezhnev delivered, an in-depth, comprehensive analysis of the domestic and international situation at the present stage is given and the prospects of its change for the coming period are revealed.

The most important direction in the activity of the party on the supervision of the building of communism is its economic policy. "The management of the national economy is the heart of all the activity of the party and the state," L. I. Brezhnev noted in his report.<sup>1</sup> The effectiveness of this policy to a considerable extent is determined by how correctly and thoroughly it reflects the real conditions and potentials of physical production at each stage of its development. The decisions of the 26th CPSU Congress in the area of economic policy maintain the continuity in the determination of the economic strategy of the party, which was elaborated at the 24th and 25th CPSU Congresses on the basis of the program requirement--everything in the name of man, everything for the good of man.

The economic laws of the communist mode of production, which constitute the theoretical basis of the economic policy of the party, reveal their content more completely, become known and are implemented more completely not only as a result of the development of the theory of knowledge and the methods of research, but also as a result of the development of the very material, technical and socioeconomic base of communism. The existence of specific material conditions is required for the more complete utilization of economic laws and for their display of all their aspects. As these conditions are created, the economic laws are revealed more and more and are enriched. In this sense it is possible to speak of their development. For example, the proportionate development of socialist production is one of the basic traits of the economic law of planned development. However, the lag of agriculture for a considerable time has decreased the practical possibility of the optimum, coordinated development of all the sectors of the national economy and is responsible for the emergence of disproportions between the demand and supply of

consumer goods, between the monetary income of the population and its backing with goods and so on. The increase and stabilization of the growth rate of agricultural production are expanding, apart from all else, the material possibilities of the proportionate development of the national economy. It is possible to cite similar examples with respect to the main economic law of socialism, the law of distribution according to labor and so on. Only the increased level of physical production enabled our party at the 24th and 25th CPSU Congresses to set the policy of a more profound turn of the national economy toward the diverse problems connected with the increase of the well-being of the people, toward the changeover to primarily intensive methods of economic growth--to the increase of the efficiency and quality of all work.<sup>2</sup>

Based on the economic strategy of the party, the determination of the tasks of the economic and social development of the country at each stage of it requires the thorough consideration of the formed conditions of physical production and the proper appraisal of its existing and prospective possibilities and factors of development. In this connection the 26th CPSU Congress noted the significant gains in economic and social development during the 1970's. Thus, in 1980 as compared with 1970 the gross national product had increased by 67 percent, the national income--55 percent, the output of industry--78 percent, the output of agriculture--23 percent, fixed production capital--116 percent. The level of the material well-being of the people increased significantly during this period on the basis of economic growth. The increase of the retail commodity turnover during the indicated period by 70 percent attests to this.<sup>3</sup>

At the same time the 26th CPSU Congress noted that the assignments of the 10th Five-Year Plan were not completely fulfilled. The congress revealed the objective and subjective causes of this situation. Among them are the following: many old, including large, deposits of minerals were depleted; the main centers of the extractive industry were shifted to the east and the north; adverse weather conditions formed for agriculture in 1977, 1979 and 1980; it was not possible to accomplish the tasks on increasing production efficiency.

In assessing the prospects of development, the congress noted that the Soviet Union entered the 1980's with a mighty economic, scientific and technical potential and highly skilled personnel. In 1980 the country had fixed production capital worth 1,149,000,000,000 rubles, the national income exceeded 450 billion rubles, the output of industry amounted to 627 billion rubles, the output of agriculture came to 121 billion rubles. During the 10th Five-Year Plan alone 12.5 million people obtained occupations at vocational and technical schools. During this period higher and secondary educational institutions trained 10 million specialists,<sup>4</sup> while in 1980 there were a total of 28.6 million specialists employed in the national economy, including 12.1 million with a higher education and 16.5 million with a secondary specialized education.<sup>5</sup> The Soviet Union holds first place in the world in the production of petroleum, coal and iron ore, in the production of pig iron, steel, coke, mineral fertilizers, mainline diesel and electric locomotives, tractors, cement, prefabricated reinforced concrete structural members and parts, wool fabrics, leather footwear, sugar, animal oil and others. Under these conditions the increase of the efficiency of the use of natural, material and manpower resources and the increase of the quality of work in all the links and at all the levels of the national economy are becoming the main factor of economic growth.

The features of the economic and social development of the country during the 1980's, including during the 11th Five-Year Plan, were thoroughly and comprehensively revealed in the reports of L. I. Brezhnev and N. A. Tikhonov.

Among these features there is, first, the further transfer of the main regions of development of the extractive industry to the east and the north, which is responsible for the increase of the cost of extraction, the increase of the distance of shipments and the complication of the conditions of the transportation of raw materials and fuel. Back in 1965 only 1 million tons of petroleum (including gas condensate) were produced in the eastern regions of the country, while in 1970 31 million tons were produced and in 1980--more than 312 million tons. By means of these regions the entire all-union increase of petroleum, gas and coal was already provided during the 10th Five-Year Plan.<sup>6</sup> The proportion of the eastern regions in the mining of coal, the main deposits of which are located in the zone of permafrost in Eastern Siberia, will increase. Under these conditions a pronounced tendency for the capital intensiveness of the extractive sectors to increase is being observed. If we take to be 1 the specific capital investments in the increase of the output in physical terms during the Seventh Five-Year Plan, during the years of the Ninth Five-Year Plan they were already 1.25 for coal, 1.32 for petroleum (including gas condensate) and 3.38 for gas. During the 10th Five-Year Plan the expenditures on the production of 1 ton of petroleum were more than twofold greater than during the period prior to 1972, while during the 11th Five-Year Plan they will increase even more. The specific capital investments in the extraction of iron ore for 1965-1980 increased by not less than twofold.<sup>7</sup>

Second, a significant decrease of the growth of manpower resources as compared with preceding periods will be an important feature of the development of the country during the 11th Five-Year Plan and in the 1980's as a whole. During 1981-1990 the overall growth of the population of able-bodied age will decrease to 3.8 percent as against 18 percent during 1971-1980.<sup>8</sup> The scarcity of manpower resources, which is due to demographic circumstances, is being aggravated by shortcomings in the investment policy, which was oriented until recently not toward the updating of the operating production equipment, but toward new capital construction and the increase of the number of workplaces. Thus, according to the data of the Scientific Research Institute of Economics attached to USSR Gosplan, in 1971-1975 more than 2 million new workplaces, which were not completely supplied with manpower resources, were created in industry alone, while in 1976-1978 more than 1 million more places were created.<sup>9</sup>

Third, a greater and greater increase of the expenditures on environmental protection is a feature of economic development for the coming decade. The growth of the population, urbanization, the progressive increase of fuel and raw materials, their intensive consumption and processing are being accompanied by an increasing scale of waste products, emissions and destruction of the soil covering, which entails water and air pollution, the disturbance of natural landscapes and an adverse effect on the plant and animal world. In the case of small amounts of the influence of man on nature the equilibrium in the biosphere is restored by natural means. Intensive influence requires for the prevention and elimination of its adverse consequences the implementation of the appropriate conservation measures, which presume greater and greater expenditures of labor and assets and their diversion from the sphere of the direct production of material wealth. During the years of the



10th Five-Year Plan alone the expenditures on the protection of nature in the country came to about 26 billion rubles, including centralized state capital investments of more than 10 billion rubles.<sup>10</sup>

Fourth, given the growth rate of industry during the 11th Five-Year Plan, which exceeds its growth rate during the 10th Five-Year Plan, a sharp decrease of the growth rate of capital investments and manpower resources is envisaged. The increase of industrial output during the 11th Five-Year Plan is envisaged at 26-28 percent instead of the 24 percent during the 10th Five-Year Plan, while the increase of capital investments is envisaged respectively at 12-15 percent instead of 29 percent. It is planned to provide 85-90 percent of the increase of the national income during the 11th Five-Year Plan by the increase of labor productivity instead of the 75 percent during the 10th Five-Year Plan. It is possible to judge the correlation of the growth rates of the national income and capital investments from the data of Table 1.

Table 1

Correlation of the Growth Rates of the National Income and Capital Investments During the Years of the Eighth, Ninth, 10th and 11th Five-Year Plans

Years	Increase as compared with the preceding 5-year period (percent)	
	national income	capital investments
1966-1970. . . . .	41	43
1971-1975. . . . .	32	42
1976-1980. . . . .	21	29
1981-1985 (plan) . . . . .	18-20	12-15

Compiled according to: "Materialy XXV s"yezda KPSS" /Materials of the 25th CPSU Congress/, Moscow, 1976, p 112; "Materialy XXVI s"yezda KPSS" /Materials of the 26th CPSU Congress/, Moscow, 1981, pp 99-100, 103.

From the table it is evident that during all the preceding five-year plans the actual growth rate of capital investments led the growth rate of the national income. During the 11th Five-Year Plan the inverse relation is planned: the growth of the national income should be considerably greater than the increase of capital investments.

Fifth, a fundamental feature of the 11th Five-Year Plan is the fact that a higher growth rate of industry of group B is planned than the growth rate of group A. With an overall increase of the production of industrial output during the 11th Five-Year Plan by 26-28 percent it is envisaged to increase the production of means of production by 26-28 percent and of consumer items by 27-29 percent.

In this connection the relationship of the growth rates of subdivisions I and II of social production is acquiring theoretical and practical interest. The goal of socialist production is directly realized in the increase of the output of subdivision II, including in industry in the increase of the output of the sectors of group B. Production in subdivision I serves only as a means of providing the conditions of the increase of the production of items of nonproductive consumption. At

the same time the entire course of the development of our economy, beginning with the first years of the industrialization of the country and up until recently, was characterized, with rare exception, by a leading rate of the production of group A, which determined the leading development of the production of means of production. This gave rise in economic theory to such a situation, in case of which the established ratio of the growth rates of subdivisions I and II was promoted to an obligatory condition of expanded reproduction. However, the entire set of factors of expanded reproduction acts ambiguously on the indicated ratio. A portion of them is responsible for the leading growth of the production of means of production, the other portion, on the contrary, promotes the convergence of the growth rates of both subdivisions. Thus, there are grouped with the factors which dictate the need for the leading growth of the production of means of production: a high growth rate of production, which is based on a high standard of production accumulation; the inadequate level of development of some industrial means of production and their inadequate economy; the speeding up of the increase of the capital-labor ratio; the predominance of extensive forms of expanded reproduction over intensive forms. There are grouped with the factors which promote the convergence of the growth rates of subdivisions I and II: the economy of means of production; the increase of labor productivity; the development of the production of the economically most efficient types of equipment; the increase of the production of agricultural products; the increase of the proportion of cultural, personal and household items in the total production volume of consumer items.

The correlation in the growth rates of subdivisions I and II will also change subject to the correlation of these factors. "When determining the ratio of the growth rates of both subdivisions," L. I. Brezhnev said in the Accountability Report to the 26th CPSU Congress, "the party, as Lenin taught, proceeds from the specific needs and the real possibilities of each individual stage."<sup>11</sup>

For a quantitative characterization of the ratio of the increase of production of group A and group B it is possible to use the coefficient of the lead of the growth rate of group A with respect to group B as the ratio of the former to the latter for the corresponding period (see Table 2).

Thus, during the postwar period the production of output in both groups in 1966-1970 and 1976-1979 increased at nearly the same rate. As for the average coefficient of the lead in 1946-1950, it shows a lead of the growth rate of group B. This is explained by the fact that in 1946, the first postwar year, a significant lead of the growth rate of group B occurred, when the coefficient of the lead was less than 1 (0.646), although during the subsequent years of this 5-year period it was significant (in 1949, for example, it was equal to 1.157). During the prewar period this coefficient had the highest value in 1929-1931 (on the average 1.176) and the lowest value in 1936-1938 (on the average 0.999). The rapid development of the sectors of group B during the 11th Five-Year Plan is becoming a task of paramount economic and political importance.

Sixth, a feature of the development of the economy during the 11th Five-Year Plan is the fact that during this period it is planned to increase the proportion of the consumption fund in the national income. Whereas in 1980 75.3 percent was allocated for these purposes, in 1985 77.3 percent will be. The proportion of the accumulation fund is being decreased accordingly.

Table 2

Average Annual Coefficients of the Lead of the Growth Rate of Group A as  
Compared With Group B by 5-Year Periods

Years	Average coefficient of the lead of the growth rate of group A as compared with group B
1946-1950. . . . .	0.995
1951-1955. . . . .	1.016
1956-1960. . . . .	1.026
1961-1965. . . . .	1.032
1966-1970. . . . .	1.002
1971-1975. . . . .	1.012
1976-1979. . . . .	1.009

Compiled according to: "Narodnoye khozyaystvo SSSR. 1922-1972. Yubileyny statisticheskiy yezhegodnik" [The USSR National Economy. 1922-1972. Anniversary Statistical Yearbook], Moscow, 1972, pp 127-128; "Narodnoye khozyaystvo SSSR za 60 let. Yubileyny statisticheskiy yezhegodnik" [The USSR National Economy After 60 Years. Anniversary Statistical Yearbook], Moscow, 1977, p 168; "Narodnoye khozyaystvo SSSR v 1979 g." [The USSR National Economy in 1979], Moscow, 1980, p 143.

Taking into account the existence of the mighty economic, scientific and technical potential of the country, as well as the special conditions of economic development in the 1980's, the 26th CPSU Congress specified as the main task of the 11th Five-Year Plan the assurance of the further increase of the well-being of the Soviet people on the basis of the steady, progressive development of the national economy, the acceleration of scientific and technical progress and the changeover of the economy to the intensive means of development, the more efficient use of the production potential of the country, the utmost economy of all types of resources and the improvement of work quality.

The increase of production efficiency alone can ensure the further increase of the well-being of the people and the creation of better conditions for the all-round development of all the members of society. That is why, as was noted in the Accountability Report at the 26th CPSU Congress, the completion of the changeover to the primarily intensive means of development is the main problem of the development of the national economy during the 11th Five-Year Plan. The increase of production efficiency is the fundamental basis of modern economic development. In a report at the 26th CPSU Congress N. A. Tikhonov said: "In its historical scale, importance and consequences the changeover being implemented of our national economy to the path of intensive development by right can be placed on the same level as such a most profound transformation as socialist industrialization, which radically changed the face of the country."<sup>12</sup>

The congress outlined a program of the increase of the well-being of the people, which encompasses all aspects of the labor and relaxation, culture and daily life of the workers. Here special attention is being directed to the backing of the increasing income of the population with goods, since the deferred demand in the form of savings bank deposits in 1979 already amounted to 146.2 billion rubles, which is equal to 62.1 percent of the annual wage fund and 45.2 percent of the entire consumption fund.<sup>13</sup> The enhancement of the stimulating role of the wage and

the leading growth of labor productivity as compared with the wage are planned. The average monthly wage of workers and employees will increase by 13-16 percent, the pay of kolkhoz farmers--20-22 percent. The products of agriculture, which directly and through their industrial processing account for two-thirds to three-fourths of the entire consumption fund, constitute the material basis of the backing of the income of the population with goods. As for cultural, personal and household goods, along with the enterprises of industry of group B the enterprises of heavy industry, which produce half of all the goods of this group, ensure their production.

The development of heavy industry is a prerequisite of the solution of all national economic problems. This especially concerns its base sectors--power engineering, metallurgy, machine building, the chemical industry, transportation and construction. In the system of these sectors the role of the fuel and power sectors, metallurgy and other extractive sectors stands out. It must be taken into account that the problem of raw materials and energy is of not only a national, but also a global, world nature. The extraction and consumption of mineral raw materials and fuel are increasing at an accelerated rate. Thus, in 1979 the production of petroleum (including gas condensate) in the USSR alone exceeded by more than twofold the level of its world production in 1940.<sup>14</sup> The unrenewable nature and limitation of the reserves of mineral raw materials and fuel are creating the need for their economical use, the recovery of the byproducts of processing works, the intensification of the use of deposits and the search for new sources and types of raw materials and energy. Technical progress is ensuring a decrease of the specific consumptions of fuel, raw materials and materials per unit of finished product. Thus, the specific consumption of conventional fuel at general-purpose electric power stations per released kWh of electric power has decreased from 645 g in 1940 to 415 g in 1965 and 330 g in 1979.<sup>15</sup> On the average the materials-output ratio of industrial products decreases annually by 0.5-0.6 percent. At the same time the proportion of the material expenditures in the value of the output is increasing, which is explained by the considerable increase of the cost of the extraction and transportation of fuel, raw materials and materials.

Under these conditions the improvement of the structure of the fuel and energy balance by the decrease of the proportion of petroleum as a fuel and its replacement by gas and coal and by the rapid development of atomic power is of great urgency. The rapid increase of the production of petroleum and gas in Western Siberia and their transportation to the European part of the country are the most important units of the energy program. In metallurgy the decrease of losses and scrap by the enlargement of the assortment and the increase of the quality of rolled products and by the improvement of the technology of metalworking is the main task. The decrease of the power-output and materials-output ratios of the final product is the most important direction of the intensification of production and the increase of its efficiency.

The improvement of the use of production capacities (machines, equipment, vehicles) and capital investments is affording great opportunities for the changeover to the intensive means of the development of the economy. The increase of the technical and economic characteristics of equipment, the improvement of its structure, the bringing of the number of workplaces in line with the availability of manpower resources and the improvement of the indicators of extensive and intensive use are the main means of improving the use of fixed capital. A feature of the use of

capital investments during the 11th Five-Year Plan is the fact that they will be allocated primarily for the renovation of operating enterprises.

The intensive type of reproduction presumes the more complete and efficient use of manpower resources. The role of the personal factor under the conditions of the scientific and technical revolution is increasing sharply, in this connection the importance of the improvement of the occupational and skills composition of workers and the improvement of the planning and training of staffs of skilled workers and specialists are increasing.

Scientific and technical progress, for the acceleration of which the improvement of the planning of science and the adoption in production of scientific discoveries and inventions and the increase of product quality are necessary, is the basis of the changeover of the economy to the intensive means of development.

For the increase of the standard of living of the workers the task of providing foodstuffs and industrial goods is coming to the forefront. The radical solution of this problem required the elaboration of a special food program, in which all the stages and links, which are connected with the production and processing of agricultural products, work in concert, synchronously. Agriculture itself, that is, plant growing and animal husbandry, is the basis of this agro-industrial complex. Especially difficult tasks face animal husbandry, which is the shock front in the village. The agro-industrial complex, including agriculture, as before will receive large sums, which amount to one-third in the total capital investments in all the sectors of the national economy during the 11th Five-Year Plan for the entire agro-industrial complex, including 27 percent in agriculture itself. But the main problem here is also the increase of the efficiency and quality of work.

The improvement of the methods of the management of the economy occupies an important place in the system of measures on the changeover of the economy to the intensive means of development. The tightening up of discipline, the increase of personal responsibility for the fulfillment of the state plans, the overcoming of the lack of coordination of the actions of various departments, the extensive use of the goal program method of planning and management, the increase of the independence of associations, the improvement of organizational and management relations--all this will be conducive to bringing the economic mechanism in line with the features of present economic development and to the accomplishment of the main tasks set by the 26th CPSU Congress.

#### FOOTNOTES

1. "Materialy XXVI s"yezda KPSS" [Materials of the 26th CPSU Congress], Moscow, 1981, p 31.
2. Ibid., pp 31-32.
3. Ibid., p 32.
4. "Materialy XXVI s"yezda KPSS," p 32; PRAVDA, 14 January 1981.

5. "Narodnoye khozyaystvo SSSR v 1980 g." /The USSR National Economy in 1980/, Moscow, 1981, p 369.
6. "Materialy XXVI s"yezda KPSS," p 33.
7. EKONOMICHESKAYA GAZETA, No 8, 1977, p 10; IZVESTIYA, 3 July 1981.
8. PRAVDA, 27 March 1981.
9. V. Kirichenko, "The Proportionality of Economic Growth and Efficiency," KOMMUNIST, No 18, 1980, pp 31-32.
10. IZVESTIYA, 7 February 1981.
11. "Materialy XXIV s"yezda KPSS" /Materials of the 24th CPSU Congress/, Moscow, 1971, p 45.
12. "Materialy XXVI s"yezda KPSS," p 107.
13. "Narodnoye khozyaystvo SSSR v 1979 g." /The USSR National Economy in 1979/, Moscow, 1980, pp 285, 387, 394, 406, 435.
14. Ibid., pp 76, 91.
15. Ibid., p 169.

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## PLANNING AND PLAN IMPLEMENTATION

### PLAN FULFILLMENT RESULTS FOR 1981 HIGHLIGHTED

Moscow AGITATOR ARMII I FLOTA in Russian No 5, 1982 pp 6-7

[Article by D. Shmelev, subdivision chief of USSR Gosplan: "Labor Rhythm of Five-Year Plan"]

[Text] The Soviet people, having completed the first year of the Eleventh Five-Year plan in a worthy manner, have taken a large new step forward in the creation of a material and technical base for communism, the consolidation of the country's economic and defense power and improvement of the well-being of the workers.

The main political and economic result of last year consists in that the country's national economy developed in keeping with the Main Directions for the Economic and Social Development of the USSR During 1981-1985 and the Period up to 1990, which were earmarked by the 26th CPSU Congress. This is clear evidence of the correctness of the course the party has developed.

As a result of the successful fulfillment of the state plan for the first year of the Eleventh Five-Year Plan, the country's economic potential has increased. This was reflected in the considerable growth of production capital and improvement of the quality indicators of the development of the national economy.

A fairly large program of capital construction has been implemented.

The state plan for the economic and social development of the USSR in 1981 was fulfilled in terms of the volume of industrial output and the delivery to the national economy of the most important kinds of products in physical terms. The volume of industrial production increased in 1981 as compared to 1980 by 21 billion rubles in absolute terms, amounting in 1981 to 643 billion rubles (in wholesale prices of the enterprises as of 1 January 1975).

The rates of growth of industry in the USSR were higher than in any large capitalist country.

In 1981 we produced 1,325,000,000 kilowatt hours of electric power, we extracted 609,000,000 tons of petroleum, including gas condensate, 465 billion cubic meters of natural gas and 704 million tons of coal, and we produced 149 million tons of steel.

Scientific and technical progress in the development of the national economy was accelerated last year. This was reflected in the creation and introduction into production of principally new implements of labor, new materials and progressive technological processes. During 1981 we assimilated and began series production of 3,500 new kinds of items.

But the shortcomings must also be noted. Thus in 1981 we did not manage to successfully fulfill the plan in terms of a number of indicators and branches. The assignments for ferrous metallurgy and the coal and timber industry were not fully carried out. The plan for the startup of production capacities was underfulfilled.

The current five-year plan began with a year of poor harvests. But our weather is unfavorable for agriculture almost every other year. Therefore the work in agriculture must be adapted to climatic adversities. This presupposes stricter specialization among the various regions and the introduction of crops and agrotechnical devices which provide for good crops whether there is a shortage or an excess of moisture. This presupposes the output and better utilization of the corresponding technical equipment.

The necessary material and financial resources have been allotted for the implementation of the aforementioned measures. For the entire complex of work for the development of agriculture we have invested 37 billion rubles, or 27 percent of the overall volume of capital investments in the national economy.

Public consumption funds play a large role in the formation of the workers' income and the improvement of their well-being.

Taking this into account, the Communist Party and the Soviet government devote a great deal of attention to the formation and growth of public consumption funds. Thus payments and benefits from public consumption funds in 1981 amounted to 104.2 percent of the 1980 level. The main source of increasing the real incomes of the Soviet people is to increase their earnings in keeping with the socialist principle of distribution according to the quantity and quality of work. The average monthly earnings of workers and employees in the national economy in 1981 amounted to 172.5 rubles. They increased by 2.1 percent as compared to 1980 and the earnings of kolkhoz workers increased by 4 percent.

A number of measures have been carried out to assist families with children. In particular, working women with two or more children have been granted an annual 3-day additional paid vacation, and stipends for single mothers have been increased. The minimum old-age pensions for workers and employees have been increased.

It is generally known that the party devotes an immense amount of attention to housing construction. During 1981 residential buildings with an overall area of 106 million square meters were put into operation.

The CPSU Central Committee and the USSR Council of Ministers have implemented a number of important measures for increasing the production of consumer goods, improving their quality and updating the assortment. The volume of retail commodity



turnover amounted to 283.6 billion rubles in 1981 and, as compared to 1980, it increased by 11.8 billion rubles in comparable prices. In the overall volume of commodity turnover there was a larger proportion of sales of all food and non-food commodities to the population.

It should be noted that each of the union republics made a large contribution to the fulfillment of the tasks set by the 26th CPSU Congress. As a result of their fraternal mutual assistance, all of the union republics entered 1982 with new successes in the area of economic and cultural construction.

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## RESOURCE UTILIZATION AND SUPPLY

### SPIRAL EFFECT OF SHORTAGE OF RESOURCES

Novosibirsk EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA in Russian No 2, Feb 82 pp 84-94

/Article by Candidate of Economic Sciences V. I. Zorkal'tsev, Siberian Institute of Power Engineering of the Siberian Department of the USSR Academy of Sciences (Irkutsk): "Anatomy of a Shortage: Questions Without an Answer"/

/Text/ In recent years in the country the production reserves of fuel have decreased, the irregularities in the operation of industrial enterprises and transportation have become more frequent, restrictions on the sale of coal to the population were imposed here and there. The fuel shortage was one of the causes of the irregularities in the power supply of a number of cities of the European part of the USSR in the winter of 1978-1979. Party and economic organs and the mass media are devoting much attention to the problem of the fuel balance shortage; it is also taking a greater and greater role in scientific research work in the area of power engineering. The need is arising to evaluate the consequences of the fuel shortage (for example, for the calculation of the harm to consumers in the case of the optimization of the distribution of fuel and energy resources), to determine the factors giving rise to it, to study the mechanism of its appearance and to elaborate recommendations for overcoming it.

When examining individual questions connected with the fuel shortage, you automatically come to the idea of the fundamental impossibility of an effective struggle against bottlenecks in the economy only from a sectorial standpoint. The deficit is an economywide problem which is closely connected with other features of the existing economic mechanism. Special studies and the extensive discussion of measures will probably be required for its solution. The goal of this work is to examine several specific aspects. Why is a comprehensive study of the shortage expedient? How significant is its role in economic life? Finally, how is it possible to explain the existence of a large number of bottlenecks in the national economy?

The Expediency of a Comprehensive Study of the Shortage

"And there's no devil either?"

"No devil either...."

"Oh, but this is really interesting," the professor cried, shaking with laughter. "It seems, no matter what you name here, it doesn't exist!" (From a conversation at Patriarchs' Ponds. M. Bulgakov, "Master i Margarita" /The Master and Margarita/)

Along with fuel, a shortage of many types of raw materials, equipment, consumer goods, some foodstuffs, as well as manpower is being observed in our country. It is quite natural to assume that the individual forms of the shortage are interconnected and have a common cause.

/The Spread of the Shortage Through Technological Channels/ /in boldface/. The shortage of some resources frequently leads to a shortage of others. We are speaking about the shortage of fuel as a whole, since its individual types are interchangeable within broad limits. This interchangeability is especially broad in the case of the generation of electric power by means of the change of the structure of fuel consumption at electric power stations and, primarily, by the redistribution of the loads among them.

The shortage of fuel complicates the work of electric power and heat engineering, machine building and other sectors of the national economy. On the other hand, it can also be explained by the existence of bottlenecks in other links of the economy--the inadequate capacity of transportation arteries, the shortage of pipe for gas pipelines and supports for mines or the fact that the enterprises of machine building are filling only 80 percent of the orders of the fuel ministries for equipment. And the latter can just as easily explain the shortage of their products. Therefore it is possible with every reason to regard the scarcity of technologically interrelated resources as a single problem.

/The shortages of consumer goods, manpower and means of production are interconnected and in many ways interconditional/ /in boldface/. Let us examine some of these relations.

The shortage of manpower increases the shortage of means of production and the shortage of consumer goods. The shortage of workmen is one of the causes of the underutilization of production capacities, including at enterprises which produce products in short supply. The production capacities are not used when there is no one to work at them. Vacant workplaces also have a negative influence on people. The constantly existing possibility of transferring to a different job, at times with an increase of wages, can be regarded as one of the causes of the decrease of labor discipline, quality and labor productivity. The managers of enterprises are forced to tolerate poor workers (there are no others!) and, moreover, to retain them.

The shortage of workers is aggravated by the shortage of goods and, on the other hand, is accompanied by an increase of the effective demand; in striving to retain and attract workers, quite often they increase their wages. In recent years the rate of their increase has been greater than that of labor productivity and the production of consumer goods. Thus, during the period of 1976-1980 wages increased 16 percent, while the production volume of consumer goods increased only 14 percent.

The shortage of consumer goods adversely affects labor productivity, which can be regarded both as one of the causes of the inadequate volume of the output being produced and as one of the causes of the shortage of manpower. Under the conditions of a shortage the effect of material stimuli becomes distorted and weakens. As a rule, it is not money in itself, but the goods which he can buy with it, that interests the worker.

Great losses of manpower occur from its turnover and the migration of the population, the main cause of which, as sociologists note, lies in the dissatisfaction with housing conditions and cultural and personal service.<sup>1</sup> For when choosing a job a person takes into account, along with the wages, a large number of other factors: the supply of goods, the provision with housing, kindergartens and so on. The instances of temporary job placement for the sake of obtaining necessary goods are frequent. At times production interests become lost behind the problems of the supply of scarce commodities and goods.

/The Influence of the Shortage of Means of Production on the Shortage of Manpower and Consumer Goods/ /in boldface/. The inadequate output of goods is often explained by a shortage of production resources. The shortcomings in the development of the sectors of industry of subdivision I are often offset by the excessive use of workers. Many workers are employed in ancillary production, since "small-scale" mechanization has been inadequately developed. Thus, in Tyumenskaya Oblast due to the lag in the development of centralized electric power supply an enormous army of manpower, which is expensive and very scarce in this region, serves small diesel electric power stations: one worker in three in the Tyumen' north is a power worker. The low level of mechanization in construction is leading to the extensive use of unproductive manual labor: more than 200,000 people are working here with a shovel in their hands. This, in turn, is one of the causes of the low quality of construction work and its high cost.

Thus, under existing conditions it is already impossible to examine the versions of further development, while ignoring manpower resources, and to examine the latter problem outside the supply of the population with scarce goods. The attempts to overcome the shortage of goods, by expanding their production, often are unsuccessful due to the shortage of material and manpower resources. Therefore, it is quite reasonable to regard the various forms of the manifestation of the shortage as a unified set of problems.

#### The Consequences of the Shortage

Scarcity is now, perhaps, one of the central economic problems. At times it is not the choice of an efficient version, but the obtaining of if only a superficially balanced version, that is the basic goal of planning organs, since efficient economic activity, especially in supply, often reduces to the elaboration of emergency measures on the overcoming of constantly arising critical situations--due to the shortage of fuel or raw materials at enterprises, violations of the dates of deliveries of equipment, the lack of spare parts. A significant portion of the population is worried by the search for scarce goods.

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1. A. Kocherga, "Problems of the Territorial Planning of the Well-Being of the People," PLANOVVOYE KHOZYAYSTVO, No 2, 1979.

However, in spite of the fact that the shortage is ubiquitous, it has not become the subject of in-depth and comprehensive studies in economic literature. It is impossible for the present to consider the examination of individual sectorial problems and even such a major problem as the shortage of manpower to be an extensive discussion. Are the consequences of the shortage significant enough to engage in earnest and extensively in its study?

As a rule, the individual resources constitute only a negligible portion of the production cost. Therefore, the value of a product not produced due to the shortage of some resources is an order of magnitude greater than the value of this resource.

This type of consequences of the shortage at times can be evaluated quantitatively in the form of the value expression of the harm. In 1979 one of the enterprises of the USSR Ministry of the Chemical Industry halted deliveries of sodium sulfide--the works had become obsolete and they closed it. For the USSR Ministry of the Chemical Industry this meant a decrease of the production volume in value terms by 35,800 rubles. This is already costing the plant, which uses this chemical compound as a raw material for the production of a tanning agent, 2.64 million rubles, while for idle tanneries the loss comes to 23 million rubles. Even greater losses should be anticipated at shoe factories and in trade. And what are the losses of the population?

The shortage of resources is a source of their inefficient distribution. Formally all consumers have equal rights to the receipt of a scarce product. These rights are backed by their financial means and technical and economic calculations and are sanctioned "from above" (for example, in the form of limits or assets). The problem arises--who should be given how much? The practical solution of the problem depends on many factors: the vigor of managers and supply workers, the public influence of the enterprise, personal contacts, geographic proximity to the center, the size of the travel fund and others. But it is clear that the mechanism of lines, and especially personal contacts, in no way can ensure efficient distribution.

It is not enough that critical resources are being distributed inefficiently, but even more efforts are being spent on this. The struggle of supply workers in such a situation is necessary for each enterprise, but is useless for society as a whole, since their enormous efforts on the "dislodging" of the shortage are in no way promoting its disappearance. The irrationality of this struggle is doing great moral harm.

The efforts of the managers of enterprises on the retention and attraction of manpower to a considerable extent are also idle. And what are the losses of human energy and health from lines at stores?

The shortage stimulates the creation of surplus reserves and their concealment. The main reason for the latter is the dependence of the prestige of the enterprise and the income of the workers on the fulfillment of the plan. The easier the plan is and the greater the reserves in it are, the easier it is to fulfill it. The shortage of raw materials, fuel, manpower and equipment are widely used arguments in the drive for the decrease of the plan indicators. And, on the contrary, for the increase of the assurance of the fulfillment of the plan assignments the

enterprises are forced to try to obtain the maximum amount of critical resources for future use--suddenly they will be needed! It is never too late to reject what is not needed. This phenomenon is frequently accompanied by the inefficient use of resources and the creation of stocks in excess of what is needed, which in turn increases the costs of storage and its period, and products spoil. In the national economy the rate of movement of working capital is decreasing, and, as a consequence, the rate of economic development is slowing.

The shortage decreases product quality. Since the consumers compete with each other to obtain a resource, the supplier dictates the conditions. He as if "will show much favor" to consumers with low quality products. The fact that the now prevailing individual levers and stimuli encourage first of all the producer, and often to the detriment of the consumer, also attests to this. If you do not want it, do not take it, someone else will. For example, not without reason is the fuel shortage being accompanied by a sharp deterioration of the quality of coal.

Here it is possible to draw an analogy with trade and the quality of service. If the number of solvent consumers is large, but there are too few good commodities, the bulk have to be content with poor goods. But this, in turn, can even create the illusion of an increased demand for poor goods.

The bottlenecks in the economy are strengthening the centralized methods of management to the detriment of economic initiative and commodity-money relations. The shortage of resources stimulates self-sufficiency, that is, it transforms economic relations in the direction of a natural economy. What, if not the shortage, caused the aspiration of machine building plants for the supply of metal by means of their own "small-scale" metallurgy, the production of foodstuffs by industrial enterprises, the laying in of one's own store of lumber and so on. Simplified forms (funding, the setting of limits, direct product exchange,<sup>2</sup> registrations on the list, a card system) are taking the place of the developed forms of product exchange, which is checking the process of the division of labor and is adversely affecting the development of the economy as a whole. The centralized methods of distribution and management by means of physical indicators and specific technical and economic decisions are taking the place of the proper initiative and economic independence of the managers of enterprises.

Does the shortage have positive qualities? V. V. Novozhilov noted one of them back in 1926:<sup>3</sup> under the conditions of a shortage the complete commitment to production

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2. The facts on the extensive exchange of equipment, spare parts and materials directly between enterprises are cited, for example, in the articles of V. Cherkasov "An Awl for Soap" (PRAVDA, 20 May 1980), D. Novopolyanskiy "A Critical Part" (PRAVDA, 8 July 1980) and Yu. Shchekochikhin "Business People" (LITERATURNAYA GAZETA, 3 September 1980). This exchange is often accompanied by the violation of laws: stocks of materials, which have no relationship to the production activity, are created as an exchange fund; unaccounted for assets are stored; unearned income appears.

3. VESTNIK FINANSOV, No 2, 1926, p 21.

of all available resources occurs. But even this property is a doubtful merit, since the complete commitment of resources in the case of a shortage is accompanied by their inefficient use. For example, the complete commitment to production of manpower resources can be accompanied by the worsening of their use due to low labor discipline, a shortage of equipment and materials.

This, of course, is far from a complete list of the consequences of the shortage. Here, for example, the social and psychological consequences, including speculation, special distribution and inequality in the real income of the population, were not mentioned. The consequences of the shortage spread far beyond the sectorial framework. It appears that the shortage is a serious phenomenon which requires an in-depth study.

#### Possible Explanations of the Causes of the Shortage

The shortage affects the interests of many people, therefore there are a large number of opinions on its causes and the methods of combatting it. Let us examine a few.

In each case specific people are to blame. There is always a culprit in a large and a small disorder, only it is not always easy to find him. If there is no milk in the store, quite likely this occurred due to the slowness of the salespeople, the absence of the loader, the poor operation of the service station, due to the dairy plant or the low milk yield, for which someone is again to blame. When the shortage is universal, such explanations may lead to the gloomy conclusion that the nature of man has been ruined and irresponsibility and mismanagement are becoming the norm of behavior.

Under the conditions of the shortage certain objective possibilities of a half-hearted attitude toward work arise (for example, as a consequence of the shortage of workers and the constantly existing opportunity to transfer to a different job). But it is also important that under the conditions of a general shortage of resources it is difficult to evaluate the directions of their most efficient use and the needs have to be limited in a strong-willed manner.

The shortage in itself is a potential source of new mutual incriminations. It is possible to arrive at such a conclusion by summarizing the statements of individual managers on the problems of the subdivisions entrusted to them. Thus, for example, the former executives of the pulp and paper industry named the shortage of timber as the main cause of the nonfulfillment of the plan, while the USSR Ministry of the Timber, Pulp and Paper, and Wood Processing Industry names transportation difficulties as the main cause of the disruptions of the delivery of its products. In the case of a large shortage of timber and lumber many years of stocks, which it is not possible to haul away, have piled up at the places of their production. The Ministry of Railways, in turn, has serious complaints against the shippers, indicating the large volume of inefficient shipments, including of timber.

The spread of the shortage from one link of the economy to another can in the end lead to an even greater increase of scarcity at the beginning of the technological chain.

Poor products aggravate the shortage: durable goods and equipment wear out more rapidly; more raw materials, fuel and food products are required. For example, the more frequent cases of the incomplete release of electric power to consumers in many ways are explained by the decrease of the reserve of generating capacities: from 1975 to 1979 they decreased from 6 to 3 percent of the installed capacity (with a standard of 16 percent). This greatly worsened the quality of power. Whereas in 1975 the electric power systems on the average operated with a decreased voltage in the networks one-seventh of the calendar time, in 1978 they did so for more than half of the year. The harm from the decrease of the quality of power is estimated at 1.5-2 billion rubles a year. This exceeds considerably (according to the estimates of specialists, by 10 percent) its losses in the networks, which is equivalent to the loss of about 5 million tons of fuel in conventional terms.<sup>4</sup> Thus, the worsening of the quality of electric power aggravated the shortage of both electric power itself and fuel.

The shortage is also increasing as a result of the postponement of demand to the future. In 1980 not only the amount of the monetary income of the population of this year, but also the unspent income for the preceding period faced the supply of goods. The amount of deposits at savings banks alone from 1965 to 1980 increased from 18.7 billion rubles to 150 billion rubles--such a rate exceeds by several times the increase of real income. The effect of the aggravation of the shortage through the decrease of stocks is more characteristic for enterprises: it is necessary to envisage in the orders of the following year the compensation of this decrease.

Thus, there are many forms of the self-intensification of the shortage, or, using scientific language, the shortage has a cumulative effect. It penetrates deeply into all the pores of economic life and into the psychology of people. And still this is not a cat which is out walking on its own. It did not fall out of the blue!

Is it possible to explain the shortage by a contradiction which was due to the leading growth of public needs over the potentials of production? This contradiction is a source of economic development. In such a case is it possible to consider the negative aspects of the shortage to be the payment for progress? Should the limitation of the possibilities of the economy appear in some way, and why is it bad if it finds expression directly in the shortage of resources and goods? But such a profound explanation is erroneous. In 1926 V. V. Novozhilov noted and criticized this fallacy in the explanation of the shortage of goods. But it is very hardy, although it is usually not stated in such an abstract form.

In this case we are dealing not with an absolute shortage, but with a relative one. A deficit is a shortage of resources and goods for the meeting of the needs which are recognized as necessary in the case of the existing economic relations. The need of the population for goods for the most part is regulated by the effective demand. The needs of enterprises and organizations are limited by their financial means and planning decisions, including the assets which have been allocated for individual types of resources. Workplaces are vacant only because more of them have been created than workers have been trained.

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4. PLANOVYE KHOZYAYSTVO, No 1, 1979, p 8.



Thus, the cause of the formation of bottlenecks lies in the economic mechanism--it languidly brings into line the economic potentials and the socially recognized needs.

Of course, it is also possible to achieve a definite effect by the implementation of the suggestions which ensue from the local sectorial approach to the problems of the deficit: by expanding individual works by means of additional resources and the efficient use of the available ones. But it turns out that under the conditions of the deficit it is difficult to implement such measures. Often such a technological removal of old bottlenecks gives rise to new ones. This, in particular, explains the astonishing vitality of the deficit.

If the cause of the deficit lies in the mechanism of management, it is probably possible to achieve a cardinal solution only by its improvement. Many suggestions on the combatting of bottlenecks in the economy are expressed precisely from this standpoint. It is possible to group with them the increase of the administrative responsibility or the material interest of the managers of enterprises. Some authors are counting on such potential impacts from the change of the system of planning as the more fortunate choice of plan indicators; the increase of the balance of the national economic plans; the increase of the amount of undistributed reserves in the plans; a change in the technology of planning, for example, the rejection of the order campaign, or the use of computer hardware.

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## REGIONAL DEVELOPMENT

### YEARS OF INTENSIVE LABOR ARE AHEAD

Tallinn RAHVA HAAL in Estonian 26 Feb 82 p 2

[Article by Gustav Tonspoeg, Deputy Chairman of ESSR Council of Ministers, chairman of ESSR Gosplan. Passages in boldface enclosed in slantlines.]

[Text] /With the following article we conclude the series on "The 11th Five Year Plan--Directions, Plans, Problems," that commenced last year. In these columns we have heard from the republic's cabinet ministers, committee chairmen, and other leading personnel who discussed perspectives for the development of the more important ESSR national economy branches, analyzed problems awaiting solution, and explained to the readers what is being done to meet goals outlined in the basic directions for the economic and social development of the USSR, so as to assure a continued social and economic progress of the society, and to implement the extensive program for raising of people's well-being in our republic.

To summarize this series we asked Comrade Gustav Tonspoeg, First Deputy Chairman, ESSR Council of Ministers, and chairman of the ESSR Gosplan to give an overview of steps being taken in our republic's economy to implement plans for the current five year period, and of ways and means of solving the several questions that have arisen.

In December 1981 an intense and crucial stage in developing our republic's economic and social five year plan came to an end--the program for the 11th five year period was approved at a session of the ESSR Supreme Soviet. Thereafter the focus of the task shifted to enterprises and organizations where concrete action plans will be compiled to meet the outlined tasks.

The press of our republic has taken a keen interest in the five year plan. For more than a year our republic's ministers, chairmen of state committees, scholars, specialists, et al, have discussed in the press the many questions concerned with implementing the CPSU Economic strategy. Problems have been aired, and the solutions are to guarantee a more balanced development of the branches of the national economy, of the various areas of our republic, of towns and rayons. These discussions reveal a more rational approach by agencies to develop and meet long-term goals. It is evident that more careful work is being done in the basic segments of the economy to intensify

production and to make it more effective, raise the quality of production and of work in general, and to improve working and living conditions.

A great job has been done in implementing the decree of the CPSU Central Committee and the USSR Council of Ministers on improving planning and perfecting the economic mechanism. According to this regulation the five year plans are now considered to be the main planning models, with single year plans serving as its parts. On the basis of this regulation an entirely new system of means will be put into action during the 11th five year period to improve efficiency of production within the national economy. At the same time the system of economic stimulation has been improved--productive collectives are being urged to assume and meet targets exceeding five year goals, to expand their own plans, to increase production of consumer goods, especially of new articles, etc.

Articles dealing with the perspectives and problems of the 11th Five Year Plan have in a thorough and well-reasoned manner shown possibilities for developing all branches of the national economy through a more rational use of all productive capabilities. For example, plans call for changing meat and milk collectives into enterprises without any wastage. As a result, food resources will increase and environmental production will become more effective. Enterprises of some other branches are also following the same direction.

Discovery and application of new internal reserves is becoming more complicated every year, efforts and expenses increase as well. Economic management without a careful analysis is impossible, all the more so since no question can be solved on the basis of departmental interest alone. A comprehensive solution to the question requires a greater competency on the part of the decision maker in various spheres, and this is evident from most of the comments made.

As far as the part of the press in a better management of the economy is concerned, I would like to state that thanks to a more thorough discussion of developmental questions the responsibility of managers and decision makers increases. On the other hand, these discussions become feedback for managers and planners: this allows for better comprehension of the problems of economic development in some specific area, and also brings into focus those factors that have resulted in more rapid progress.

The productive potential in our republic has increased steadily, enterprises have received more high-quality machines and equipment, and modern technology. For example, from 1970-1980 basic assets in the national economy increased from 7112 million rubles to 13,054 million R (more than 1.8 fold), with industrial investments increasing 1.9 fold and agricultural assets (not counting animals) almost by 2.3. In the beginning of the current five year period industrial investments average 13,450R per industrial worker, in agriculture it was as high as 21,550R. Energy supplies also increased, especially in agriculture.

The economy has received additional labor resources, including qualified workers and engineering-technical cadres which means that the quality of the labor force is constantly increasing. In 1980 alone the vocational and technical schools

trained 7900 qualified workers, 5800 youths graduated from specialized technical education facilities, 3700 from college. In the beginning of this five year period there were for every 1000 workers 255 who had specialized secondary education or college training. This allows us to pose more complex tasks to the national economy, and to solve them successfully. Now greater attention must be paid to a more effective use of the existing tremendous productive potential in all the branches of the national economy. Unfortunately, there were still too many deficiencies in this area. Thus our basic investments in production increased by almost 5 percent last year, with returns on investment decreasing by 2 percent. There are many reasons for this, but in spite of all difficulties managers must assure that the intensity of resource utilization rises.

The absolute increase of labor in the national economy will be almost three times less than it was during the 10th five year period. For the first time almost 98 percent of the increase in the national product must be achieved through increased productivity. Plans for development mainly on the basis of increased productivity are evident from the relationship between the growth of national income and capital investments in the republic's economy (the rate of increase represented as a percentage of the last five year period rate):

	9th five year plan	10th five year plan	11th five year plan
National income	131	123	115
Capital investment	134	119	104

Such growth comparisons also mean that, say, in industry, more than 70 percent of additional production must come from better usage of existing productive capacities, while the total number of industrial workers in the republic as a whole will not rise.

/The key task is a more effective and caring use of investment, be they buildings, machines, or the herds on the farm. Measures must be used to secure an increase in the time assets are used to the maximum every year, month, and even the day, without neglecting their care and timely maintenance. Even greater capital investments must be made to reconstruct and technically rearrange production./

It should be noted that a reconstruction of production must be first of all directed at increasing labor productivity and secondly to improve the quality of production. In no case may these means be used to expand production, since this presupposes the use of additional labor. The volume of capital overhaul must increase, both in the production and the non-production area.

/In the final analysis, the achievement of the 11th five year plan goals depends on the efficiency of labor utilization/ and for this reason life itself has forced managers to deal constantly with related problems.

Several new measures have been applied in our republic over the last year to solve such problems better. Beginning with this year labor limits have been imposed on non-production branches in addition to production ones. The aim is to balance jobs and the labor force functionally and territorially. To date not all the goals have been met, but the imposition of limits has put a certain order into labor mobility. For example, territorial planning for labor use leaves something to be desired--we do not have a sufficiently accurate statistical survey of labor mobility within the limits of towns or rayons, or outside it. For this reason it is too early to delegate the establishment of labor limits to town or rayon organs, even on an experimental basis. But the demand that enterprises coordinate labor-related questions with local soviets and pay greater attention to their views must be met.

As a result of several factors the ESSR has become a republic of intensive agriculture--production per agricultural laborer here is 1.5 times higher than in LaSSR or the LiSSR. This also means that the effect of a worker's move from the farm is greater here than elsewhere. In the beginning of 1981 the ESSR urban population was 70.5 percent of the people, in the LaSSR it was 69.3 percent, 62.5 percent in the LiSSR, 57.3 percent in the BSSR, 40.9 percent in the MoSSR and 63.3 percent in the USSR as a whole. The countryside has for years supplied the town with additional labor, but currently the continuing flow from the countryside has a direct negative impact on our diet. In this situation agricultural development demands the greatest sense of responsibility, and the problems of all the branches of the national economy must be solved without hurting agricultural interests.

The 11th Five Year Plan was designed with these principles in mind. According to directives of the November plenum of the CPSU Central Committee the five year plan pays more attention to rural social development. For example, capital investments for housing will increase 10 percent, for educational and cultural objects by 15 percent, and for health facilities by 17 percent over the past five year period. In addition, without changing plans for startup of production facilities new kindergartens and nursery schools may now be built in the countryside (and also the towns) from assets obligated for such new facilities.

The press has quite correctly pointed out that in the social and economic development of the village correct local leadership is of utmost importance. Local conditions often vary, even within our small republic. For example, we have neighboring enterprises where one employs scores of college and vocational school trained specialists and has sent several scholarship students into training, while the other has only one or two specialists with higher education and has not provided any scholarships for further training. In the latter case we are dealing with a hand to mouth policy that does not bode well for the future.

Often there is an exaggeration of economic consideration when large (inter-enterprise) kindergartens and nursery schools are established, with preschoolers hauled in from scores of kilometers around. Attempts should be made to build a kindergarten in every enterprise, and several in larger ones (these can be small, depending on the needs). The socio-economic effect in the

latter case is greater, and in the final analysis such solution provides a firmer perspective for economic development.

Quite a lot depends on local initiative in providing for rehabilitation of schools, cultural facilities, etc. In this way the enterprise can, say, secure the continuance of a school (where a building is outdated) and in a final analysis it will also maintain a source of labor for itself. In the 11th five year period every effort must be made to prevent further closings of small rural schools (the press has shown that this has been in many areas a negative influence on agrarian and forestry interests). In some measure this problem can be solved by correct placement of new rural kindergartens and elementary schools.

The differences between various enterprises are too great, both in the area of material-technical production resources and social facilities and in average salaries. For example, the average salary of farm workers can be up to twice as much in one enterprise than in another, and this causes labor to move away from backward enterprises. At the same time our republic has kolkhozes and sovkhozes where there is no labor shortage and where planned goals are met successfully. This means that new capital investments must be made primarily to increase productive capacities and to establish social facilities in backward enterprises and more attention must be paid to the fulfillment of construction plans of such enterprises.

At the same time we must implement plans for improving the training and vocational guidance of farm labor in our republic. The development of the material base for a more massive training of farm care in rural vocational schools requires time. For that reason a decision has been made to begin training agricultural specialists (tractor operators, etc.) in urban vocational schools as well.

Agricultural enterprises and rural soviets must increase their efforts to broaden personal auxiliary farms. According to party and government regulations it is now possible to implement various new measures to achieve greater contribution by citizens to farm production (raising animals on the basis of contracts concluded with an enterprise, long-term assignment of field and pasture required for husbandry, etc.). Such features, used in other fraternal republics and socialist countries are relatively little used in our republic, but there have already been some positive shifts.

Our industrial enterprises have done very little to establish auxiliary farms to secure better supplies of farm products for their workers. In early 1982 there was not a single auxiliary farm producing animal products among the industrial enterprises, road maintenance, transportation or construction organizations. The experiences of enterprises in other federal republics as well as of some of our own consumer cooperatives indicate that the needs of a labor for animal products can be met with relatively small material outlays.

In 1981 there were 920 tons of meat and 3100 tons of milk produced in our republic outside the farming sector (excluding fishing kolkhozes), thus less than in 1975. Production of animal products has increased only in the

fishing kolkhozes. Since 1978 auxiliary farms have been established in 5 fishing kolkhozes, producing 598 tons of meat and 480 tons of milk last year.

Apparently the major enterprises and organizations must be specifically charged with at least securing the supply of their workers' dining facility from products of their auxiliary farms by the end of the five year period. It is obvious that all staffs, party organizations of plants, rayons, and soviet organizations partake actively in investigating and implementing possibilities in this area.

Managers of several agencies have justifiably raised the question of an outdated productive infrastructure within their systems. In improving final results the decisive factor in several branches will not be a development of basic production (often the actual productive capacity is even underused since necessary auxiliary services--warehouses, storage binds, transportation, etc.--are missing). Currently storage losses of vegetables, potatoes and fruits amount to a large proportion of the harvest--20 to 30 percent. A large part of dried grass loses much of its nutritional value by February-March, and this prevents high production of animal products. And so on and so forth. Losses amount to millions of rubles, the work of many people has been in vain. What causes such irrationality?

The problem has economic and historical roots. In the reconstruction of the economy after the Great Patriotic War the first need was to establish a productive potential and a powerful material-technical base. At that time it was impossible to make sufficient expenditures for an adequate development of either the productive or the social infrastructure. Later sufficient attention was paid to the infrastructure in planning, but due to the lethargy of many managers the development of productive and social infrastructure has remained a secondary problem in fulfilling the plans. I would even state that for a development of the infrastructure of the national economy to contemporary levels tremendous material expenditures would be required, and this is unthinkable for one or two five year periods. For example, in the 11th five year period potato and vegetable warehouses valued at 31.6 million rubles will be established in our republic's farms. The resources assigned exceed those of the last five year period by 1.5, but still only half the vegetables and about one-third of the potatoes can be stored in normal conditions by 1985. Similar examples can be provided about storage conditions of other agricultural products and material values--there are insufficient modern storage areas and warehouses, but the situation is improving year by year. Of course, enterprises and plants must repair and perform maintenance on existing storage facilities.

/To stress the actuality of these questions and their importance in securing a better final result for the national economy I would point out that of the 11 comprehensive plans for developing the national economy that will be put into effect during the 11th five year period 2 are concerned with developing the productive infrastructure--these are the comprehensive plans for developing storage management and for developing transportation./

From year to year managers have become more convinced that a comprehensive approach is necessary to develop the national economy. Innovations in a branch of the economy must have great benefits to the national economy as a whole. But in spite of the general awareness of this demand there were some deviations from it during the last five year period. For this reason there has been justified criticism of the unnecessary development of the dairy industry in the South-East of our country. The expansion of skim milk powder at Polva and of cheese production in Voru resulted in irrational skim milk and milk transport to these rayons, and at the same time it reduced the use of skim milk as fodder for young herds.

From the standpoint of transportation effectiveness it is important to improve the distribution of feed to enterprises, and this need must be taken into account in the further specialization and expansion of the concentrated feed industry.

The startup of the Tapa department of the "Vasar" /Hammer/ production collective was a rather unpleasant experience--the department was built, but residences to secure a labor supply were built years later. Such experiences show that future productive capabilities must be approached more carefully, with due attention paid to all aspects.

ESSR workers began the 11th five year period in quite complicated conditions. In spite of this in 1981 the intense work of labor collectives resulted in a growth of the volume of production and efficiency, and the standard of living of the working people rose. As a result, 85 percent of the increase of the national income was obtained thanks to a rise of labor productivity, in spite of a decline in the productivity of agriculture. Expenditures of raw materials, equipment, fuel, energy and other components per ruble of the gross national product fell. Last year these expenses amounted to 60.2 kopek per ruble of production, compared to 60.3 kopeks in 1980. This factor alone produced additional national income of 7 million rubles, almost 15 percent of the entire annual increase of national income. The average monthly wage of workers and employees rose, as did that of kolkhoz members, rising to 193 and 213 rubles, respectively. Monetary income from all sources increased by 94 million rubles, 17 million rubles due to increases in pensions and scholarships. Together with a growth of monetary income the growth rate of retail trade exceeded the planned figure.

The industry of the republic achieved a remarkable result. For the first time in the history of the ESSR the entire growth of industrial production (2.1 percent) was achieved thanks to increases in labor productivity and the number of industrial workers declined. An extensive job was done in satisfying customer demand by improved quality and by increases in consumer goods production. Production of top-quality category goods rose by 13.7 percent and its share of production subject to evaluation rose to 37 percent. As a result of measures taken the obligations for consumer goods production were exceeded, more than 34 million rubles worth of above-plan consumer goods were supplied to the republic's trade organizations. The use of local raw materials and waste products in the production of consumer goods improved--here the growth over 1980 was 34.4 percent. During the year 785 million rubles of investments



were made. New production facilities came on line, 710,000 square meters of new residences were provided, as well as new schoolhouses as Padise, Polva, Tamsalu, and Tallinn with space for 4196 students, the first stage of the Viimsi secondary school, kindergartens and nursery schools for 2530 children (1270 of that in the countryside). Such unique buildings as the "Ugala" theater, the second stage of the Culture and Sports Palace imeni V. I. Lenin, the Voru central hospital, the new building of the Tartu pediatric hospital, the Parnu pediatric polyclinic, the Haapsalu service center, the Tartu Ema river bridge and several others were opened, serving to improve the well-being of the people.

In 1978, a difficult year for the farmer, it was thought that decades would pass before another similarly wet year would come about. However, in some rayons of our republic 1981 was an even worse year for farming, with rain exceeding the average of many years severalfold. Naturally, this influenced not only indicators of agriculture but also of several other branches of the national economy, and will have some influence also on the results of this year's work. In spite of all this 176 enterprises met the sale plans for animals and birds, and 100 enterprises were able to meet the milk procurement obligations.

Retail trade in state and cooperative sector increased by 6.2 percent in constant prices, the volume of services rendered rose by 5.6 percent. In spite of the difficult farm year the retail of milk and meat products in the republic increased, for example butter sales rose by 7.3 percent, meat sales by 2.5 percent, sausage sales by 1.8 percent over 1980.

The above is only a short overview to show that the economic and social development of the republic in 1981 was in accordance with directives of the 26th CPSU Congress and the CPSU Central Committee November 1981 plenary meeting. The further improvement of the citizens' well-being has been assured, good results were obtained and experiences made in establishing intensive development of the national economy.

But one must not forget that the results would have been better if all the enterprises and organizations would have met their obligations and planned goals. For various reasons 77 industrial enterprises did not meet their procurement targets. Although new productive facilities and several important social and cultural projects were opened last year in town and country, there were great deficiencies in the work of some construction organizations, including neglect of the overall interests of the national economy. On the one hand this results in disproportions in the meeting of the economic plans, on the other hand some material and monetary means went unspent. For example, the "Eesti Kolhoosiehitus" /Estonian kolkhoz construction/ did meet the overall construction plan, but only 92 percent of projects ordered by kolkhoz and inter-kolkhoz organizations.

In sum, agriculture failed to receive 660 apartment units which would have provided almost 2000 persons with new floorspace or improved living conditions; also unbuilt were barns for 1500 cows and 1300 pigs. In spite of the goal to

assist in every way agricultural development there are still officials who are attempting to reduce construction opportunities for agriculture.

The program of socio-cultural and environmental protection construction went unfilled. Of total 1981 state funds for capital investment 4 percent were unused for residential construction, 17 percent for communal works, 12 percent for environmental protection projects, 20 percent for the construction of kindergartens and nursery schools, 10 percent for building general schools. Although the republic's government constantly drew the attention of construction and other officials to deficiencies in the construction of vocational schools, including rural vocational schools, 31 percent of the capital set aside for that purpose was not expended. Many of the all-union construction organizations did not meet their construction plans; plans for construction with the enterprises' and collectives' own resources were also often not met.

There are various reasons for failing to meet construction plans. Often those ordering the building do not meet their contractual obligations for securing materials or equipment. Often the quality of the projects is unsatisfactory; as a result construction costs exceed the level on which plans are based (some of this is due also to mismanagement of the construction organizations and deviation from construction norms and regulations on the construction site.) Other reasons could also be mentioned. But one must remember that the main tools for better organization and planning of construction are in the hands of the builders, planners, banks and the contractors. The array of measures outlined in the directive of the CPSU Central Committee and USSR Council of Ministers "On improvement of planning and increasing the influence of the economic mechanism in raising the effectiveness of production and improving the quality of work" have not been fully implemented in our republic's capital construction. In this field our neighbors, the LaSSR and LiSSR are considerably further ahead--for example, their construction and installation organizations already have made some experiences in planning for labor productivity on the basis of net production, etc. In our republic it is also necessary to speed up the work being done in improving the economic mechanism in construction.

In the production of various construction materials the needs of the people and the national economy cannot be met. This question is especially crucial, since in the 11th five year period the goal is to accelerate individual residence construction; one of the most important preconditions for this is an increase in the production of construction supplies, so that more of them can be put on the market. In 1981 there was no improvement in productive capacity in the construction supply industry. In several plants technical maintenance and repairs were not performed in a timely manner, and this resulted in breakdowns of production. It should be remembered that we produce building materials primarily from local raw materials--oil shale ash, clay, limestone, sand, etc., so that there are good perspectives for expanding production--relatively small additional efforts are needed.

The start of the 11th five year period was a successful one for the majority of branches of our republic's economy. This laid a firm foundation for the realization of the entire five year plan. In the period ahead several cardinal measures must be implemented in the national economy to assure the necessary

increase in the effectiveness of social production, the rational use of productive resources, and the resulting rise in the living conditions of the people.

In implementing the basic directions of economic development it is necessary that the requirements for comprehensiveness be met, i.e., that the tasks cannot be relegated to merely following this or another direction. It is impermissible, for example, to save fuel or energy by reducing services, to abandon production of desired goods in the interest of raising labor productivity, etc. In the meeting of the plans of the 11th five year period the needs for improving the people's's wellbeing must always be paramount. In this we are bound by the decisions of the 26th CPSU Congress, this is the party's interpretation of the question.

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